

Message Text

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60

ACTION ARA-20

INFO OCT-01 AF-10 EUR-25 ISO-00 NEA-14 FEA-02 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 EB-11

FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

PA-04 PRS-01 USIA-15 LAB-06 SIL-01 IO-14 DRC-01 /239 W
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R 191715Z JUN 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 615

INFO AMEMBASSY BRUSSELS

AMEMBASSY KINSHASA

AMEMBASSY LUSAKA

AMEMBASSY PARIS

AMEMBASSY SANTIAGO

US MISSION OECD PARIS

C O N F I D E N T I A L LIMA 4916

EO 11652 GDS

TAGS: ENRG, EMIN, BDIS, PE, CG, CI, ZA, BE

SUBJECT: CIPEC MEETING- PERU AND MEETING AGENDA TOPICS

REF: LIMA 3544

1. GOP HAS ANNOUNCED OFFICIALLY THAT MINISTER OF ENERGY AND MINES GENERAL FERNANDEZ MALDONADO WILL HEAD THREE MAN PERUVIAN DELEGATION TO LUSAKA MEETING JUNE 21-29, WHICH ALSO INCLUDES DR. CESAR DELGADO BARRETO, DIREBOR GENEAL OF LEGAL AFFAIRS, AND ARMY MAJOR VICTOR VALLE ANGULO, BOTH OF SAME MINISTRY.

2. WELL-INFORMED EXECUTIVE OFFICER, U.S. CITIZEN, OF LARGE U.S. COPPER COMPANY IN LIMA ALSO PROVIDED EMBASSY OFFICER WITH INFORMATION ON CIPEC MEETING AGENDA TOPICS
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WHICH FORMER OBTAINED FROM CHILEAN CIPEC REPRESENTATIVE

LAST WEEK, AS WELL AS HIS PERUVIAN SOURCES, TO-WIT:

A. REMOVAL OF "PRICE FIXATION" CLAUSES FROM SELLERS CONTRACTS IN EUROPE. ALL FOUR CIPEC MEMBER COUNTRIES HAVE BEEN PRESSING FOR REMOVAL THESE CLAUSES FROM EUROPEAN COUNTRACTS AND MAY WILL DECIDE TO FIX DEADLINE BEYOND WHICH THEY WILL NO LONGER AGREE TO SELL COPPER TO EUROPEANS UNDER SUCH CONDITIONS. SOURCE MENTIONED THAT PERU ALONE LOST \$2.1 MILLION LAST YEAR DUE TO SUCH EUROPEAN PRICE MANIPULATION, AND THAT PERU AND POSSIBLY OTHER COUNTRIES NOW PREPARED TO PUSH EUROPEANS HARD ON THIS ISSUE. HE STATED FURTHER THAT IT RELATIVELY EASY TO DEMONSTRATE SUCH MANIPULATION AND THAT MOST U.S. COMPANIES ARE OPPOSED TO IT, ALTHOUGH THEY ARE REQUIRED, AS IS EVERYONE ELSE, TO ABIDE BY SUCH CLAUSES WHEN SELLING TO EUROPEANS. SOURCE BELIEVES CIPEC MIGHT ACCEPT 1977-78 AS FINAL DATE FOR USE PRICE FIXATION CLAUSE AND POSSIBLY EARLIER DATE.

B. FLOOR PRICE OF COPPER: THIS IS KEY ISSUE ON WHICH ALL COUNTRIES BUT ZAIRE HAVE REACHED ACCORD. IN EFFECT, EACH MEMBER HAS AGREED TO SET 70-80 CENT FLOOR, BUT ISSUE NEVER RESOLVED FAVORABLY SINCE, SHOULD PRICE DROP BELOW THIS LEVEL, ZAIRE HAS ALLEGEDLY REFUSED TO DECIDE HOW PRODUCTION CUTBACK SHOULD BE APORIONED AMONG MEMBER COUNTRIES. BETE NOIRE IS HENRY LECUANTE, BELGIAN COPPER SELLER WHO IS NOT ONLY GOZ REPRESENTATIVE TO CIPEC, BUT ALSO REPRESENTATIVE OF BELGIAN SOCIETE GENERALE DE SIDERURGIE. LATIN AMERICANS DO NOT THINK ZAIRIAN POSITION SUBJECT TO CHANGE AS LONG AS LECUANTE HAS DIRECT INFLUENCE OVER ZAIRIAN COPPER POLICY.

C. COPPER DISCOUNTS: ALL CIPEC COUNTRIES BUT ZAMBIA HAVE ACCEPTED AGREEMENT TO SET BASIC PRICE FOR CATHODE DISCOUNT AT POUNDS STERLING 1.15 (\$2.50) PER METRIC TON. HOWEVER, ZAMBIA IS OPPOSED, AND PERU AS WELL RECENTLY ACCEPTED MUCH LARGER DISCOUNT ON COPPER CONTRACTS IT NEGOTIATING CURRENTLY. THUS IT NOT CLEAR WHETHER MEMBER COUNTRIES WILL BE ABLE REACH AGREEMENT ON THIS ISSUE.

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3. COMMENT: SOURCES INFORMATION APPEARS HIGHLY RELIABLE, AND CORROBORATES LESS THOROUGH INFORMATION EMBASSY HAS RECEIVED DIRECTLY FROM SENIOR OFFICIAL OF MINISTRY OF MINES, WHO HAS ADMITTED PERU CONCERNED ABOUT PRICE FIXATION AND FLOOR PRICE ISSUES. IT THEREFORE LIKELY THAT PERU WILL RAISE AT LEAST THESE TWO ISSUES. HOWEVER DESPITE PUBLIC STATEMENTS TO CONTRARY, PERU, AT TECHNICAL LEVEL, REMAINS

SOMEWHAT SKEPTICAL ABOUT PRACTICAL ECONOMIC BENEFITS FROM CIPEC UNLESS AGREEMENT REACHED ON MAJOR ISSUES AND THEREFORE TENDS NOT TO TAKE THIS ORGANIZATION TOO SERIOUSLY. THIS SKEPTICISM COULD CHANGE IF MEMBERS' VIEWS ARE IN AGREEMENT ON FLOOR PRICING HOWEVER. IN ANY CASE, ONE CAN EXPECT MINISTER FERNANDEZ MALDONADO'S RHETORIC TO REFLECT HABITUAL THIRD WORLD NATIONALISM THEME.
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